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Thought Leadership Paper
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Enterprise Fusion: Your Pathway To A Better Customer Experience

Enable True, Seamless Cross-Enterprise
Collaboration To Win In The Digital Era

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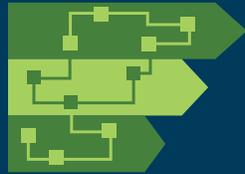
Executive Summary

Digital transformation is a requirement to keep up with today's consumers and win in any industry. However, investments being made today too often focus on the front-end experience or on other parallel but separate initiatives to transform the front- and back-end experience. Successful digital transformation requires transforming the entire enterprise and requires a cohesive and tightly fused approach across functions.

In June 2018, Cognizant commissioned Forrester Consulting to test the hypothesis that digital transformation will succeed best when two conditions are met: 1) when transformation spans the enterprise from customer touchpoints all the way to fulfillment and beyond and 2) when leaders take a fused, not siloed, approach to this transformation. Forrester conducted a survey of 517 decision makers across IT and line-of-business (LOB) roles involved in enterprisewide digital transformation initiatives, from both US and UK companies, to test this hypothesis. Analysis of the survey results revealed significant benefits for companies who can seamlessly connect front- and back-office processes, especially when comparing them against companies who are still struggling in this area.

KEY FINDINGS

- › Companies with higher digital maturity are 2.5 times more likely to report double digit revenue growth.
- › Less than 40% of companies have aligned internal teams to put the customer at the forefront of their activities.
- › Back-end process teams (e.g., supply chain, finance) are the least likely to have a decision-making role in digital transformation.
- › Digital transformation maturity is driven by four key areas: process, organization, technology, and data insights.
- › Regardless of maturity level, there are immediate steps that every company can take to drive improvements, starting with setting a clear customer experience (CX) vision.



Successful digital transformation requires 1) transforming the entire enterprise and 2) a cohesive and tightly fused approach across functions.

Today's Digital Transformation Efforts Are Significantly Hampered By Siloes

Digital transformation is more than a buzzword — it's a means for survival and growth. Seventy-five percent of companies already have at least one business function or process that has been impacted. What drives all this digital transformation? In the long term, companies cite their primary transformation objectives as improving customer experience (67%) and increasing revenue (66%) — which they rank above other important elements such as increasing employee productivity (60%), driving business agility (52%), and reducing operating costs (47%).

While leaders recognize that the customer is the principal impetus for change, still less than 40% of companies have aligned internal teams to put the customer at the forefront of their activities. The discrepancy between stated priorities and execution is in part due to the fact that many companies focus only on a narrow piece of customer experience; prioritizing investments in “doing digital” — narrowing their focus to the front-end experience for customers — while putting “being digital” — using internal support processes, organization, and technologies to support the front-end experiences — on the back-burner.

TOO MANY CRITICAL FUNCTIONS TAKE A BACK SEAT TO CUSTOMER-FACING INVESTMENTS

Despite how broadly digital transformation has caught on, most efforts only scratch the surface of true transformation. Most organizations are still taking a piecemeal approach to digital transformation, focusing on customer-facing initiatives first and less on the back-end processes. Although 43% of decision makers aspire to include all business functions in their transformation, merely 12% have successfully done so. To date, only 30% of decision makers have revamped business processes as part of their digital evolution. Despite their ambitions, the majority of efforts focus on an individual or limited number of functions or processes. The result is an overconcentration on customer-facing functions (such as commerce or the CRM system) without having the necessary digital operations (such as finance, HR, product engineering, and supply chain) to support them. These vestigial siloes can pose major threats to enterprise survival.

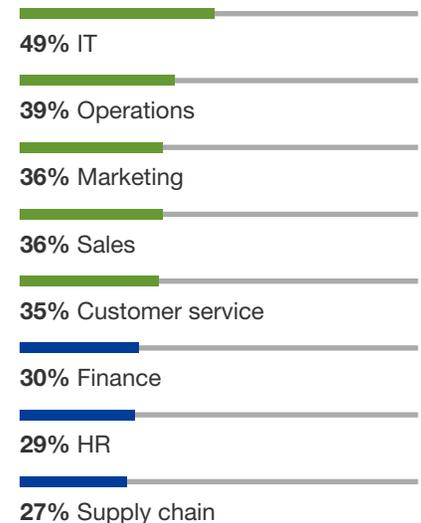
Our research found that back-end process teams (e.g., supply chain, HR, finance) were the least likely to have a decision-making role and seen as less critical than other functions in delivering on customer needs and requests (see Figure 1). But, this limited view of digital transformation can halt a transformation in its tracks, leaving companies unable to operationally deliver on differentiated and valuable customer experiences, ultimately threatening business health.



Less than 40% of companies have aligned internal teams to put the customer at the forefront of their activities.

Figure 1

“How involved are the following teams/stakeholders in driving digital transformation decisions at the company-wide/ global level?”
(Showing results for “highly involved, decision maker”)



Base: 517 Decision makers across IT and LOB involved in enterprise-wide digital transformation initiatives
Source: A commissioned study conducted by Forrester Consulting on behalf of Cognizant, June 2018

Leaders Have Inflated Views Of Their Success, But In Reality, Face Big Gaps

Our analysis revealed that there are four specific areas that impact a company’s ability to provide a more seamless connection between the front- and back-office parts of the business: process, organization, technology, and data insights (see Figure 2). We found that the way in which companies perform across all four areas as a whole, dictates the degree of digital success.

When asked to self-report on the quality of their customer experience, front- and back-office integration, and other related characteristics of their companies, most respondents rate themselves highly. (Note: Forrester Consulting has found that the tendency to inflate or have a higher perception of oneself is common in perception-based surveys, thus this finding is not surprising.) However, when digging deeper, analysis uncovered gaps with how companies rated themselves, compared with what they said they were actually doing.

To better understand these gaps, we created a scoring index to gauge a company’s level of digital maturity, as it relates to the organizations’ ability to connect front- and back-office processes to deliver on customer needs. To calculate the scores, respondents were asked a series of questions related to their organization’s digital transformation strategy, processes, technology, and data usage. An aggregate score between 1 and 100 was created for each company, and companies were grouped into three maturity groups based on their score: siloed (least integrated, score of 1 to 65), converged (somewhat integrated, score of 66 to 90), and fused (most integrated, score of 91 or higher).

Four specific areas impact a company’s ability to provide a more seamless connection between the front- and back-office parts of the business: process, organization, technology, and data insights.

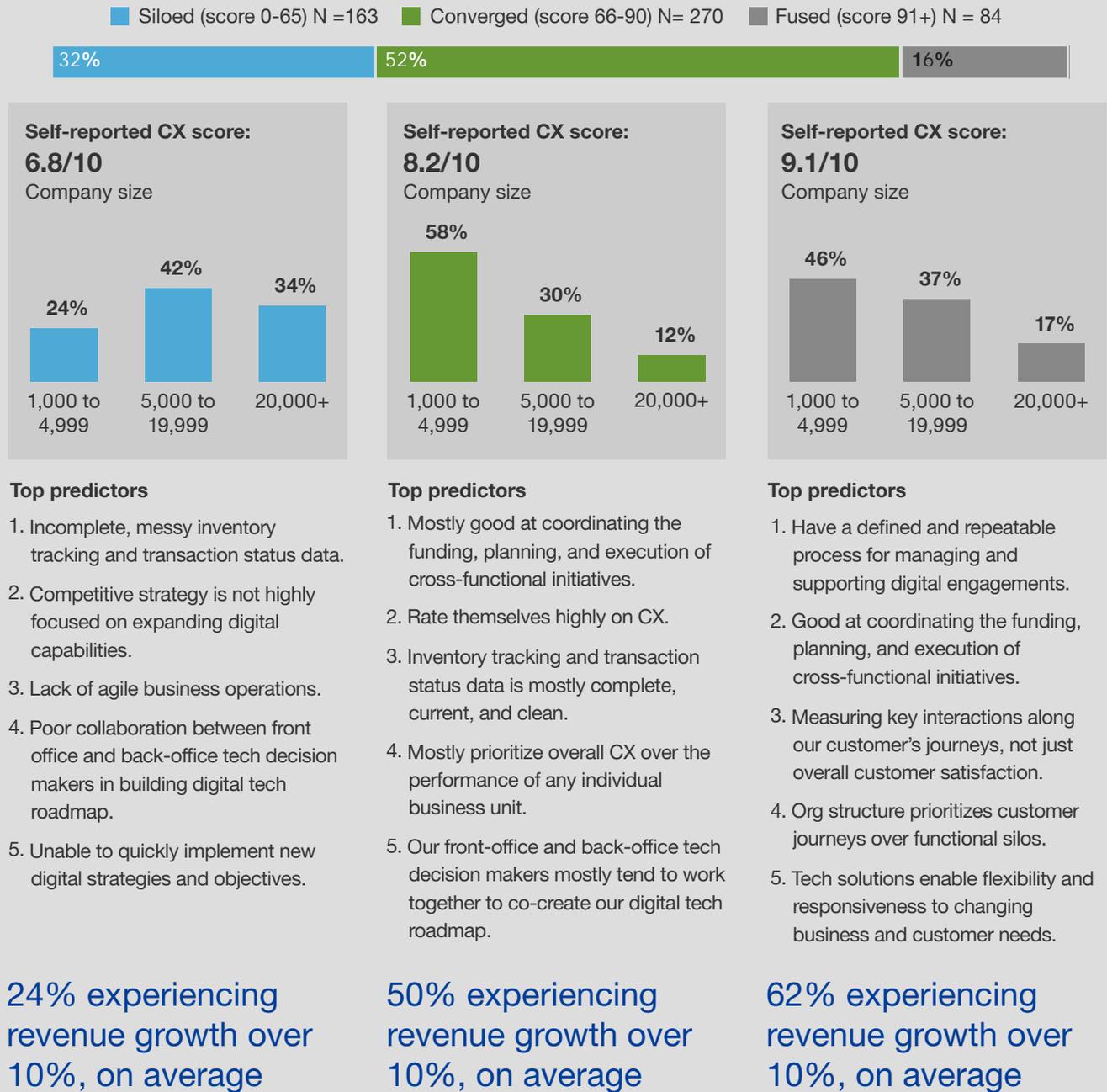
Figure 2: Key Attributes Driving Maturity

Process	Organization	Technology	Data insights
<ul style="list-style-type: none"> Defined and repeatable process for digital engagements. Prioritize customer journey over functional siloes. Ability to coordinate for the funding, planning, and execution of cross-functional initiatives. 	<ul style="list-style-type: none"> Board and C-level executives direct digital strategy. Strong company-wide awareness of customer-oriented initiatives. Employees have the proper digital skills embedded throughout the company. 	<ul style="list-style-type: none"> Technology solutions offer flexibility and responsiveness to changing business needs. Flexible, iterative, and collaborate approach to technology development. Technology is central to differentiation from competitors. 	<ul style="list-style-type: none"> Measure how channels work together to accomplish a desired outcome. Measure key interactions along the customer journey, not just overall customer satisfaction. Inventory tracking and transaction status data is complete, current, and clean.

Base: 517 Decision makers across IT and LOB involved in enterprise-wide digital transformation initiatives
 Source: A commissioned study conducted by Forrester Consulting on behalf of Cognizant, June 2018

There were several key predictors that were consistent across companies within each group that help define each level of maturity (see Figure 3). For example, siloed organizations commonly struggle to focus their digital strategy, whereas fused organizations consistently have a well-defined and repeatable process for digital engagement.

Figure 3: Maturity Profiles



Base: 517 Decision makers across IT and LOB involved in enterprise-wide digital transformation initiatives
 Source: A commissioned study conducted by Forrester Consulting on behalf of Cognizant, June 2018

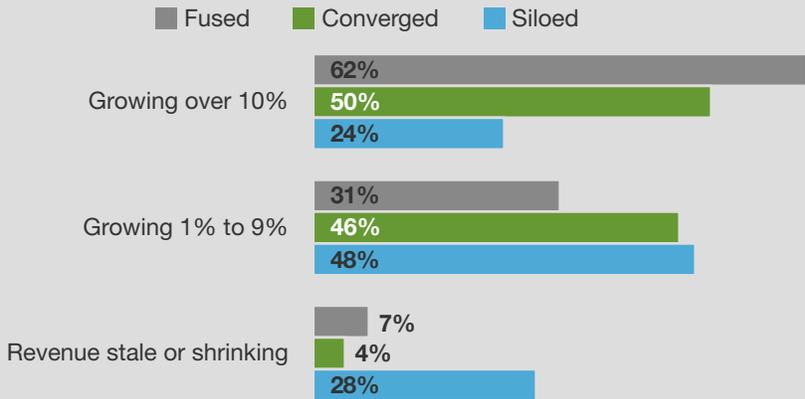
What Success Really Looks Like: The Fused Enterprise

Customer experience is important, but when it comes to transformation outcomes, the holy grail is always overall business success — both immediate and future. When comparing survey responses between maturity groups, we found a striking correlation between a company’s reported revenue growth and the degree of enterprise integration; technology as well as people and process integration. Those fused companies that indicated a tightly integrated organization, across technology, operations, business processes, and data insights, were 2.5 times more likely to report double digit revenue growth than siloed organizations (see Figure 4). Fused enterprises understand that integration is not just about tech and operations, but rather about building a holistic strategy across the entire business including process, data, and tech.

There are several other major differences between fused and siloed organizations. Fused organizations outperform the others by:

- › **Elevating CX to a top priority, and backing it with executive sponsorship.** Sixty-five percent of fused companies put CX as a top business priority, compared to just 25% for siloed companies. To put a CX strategy into action, 94% of fused organizations report having a chief customer experience officer (CCXO) or equivalent, compared to just 59% for siloed organizations. Establishing this role helps create shared accountability across the company for delivering a better customer experience.

Figure 4
 “What has been the rate of your revenue growth over the past two years (on average per year)?”



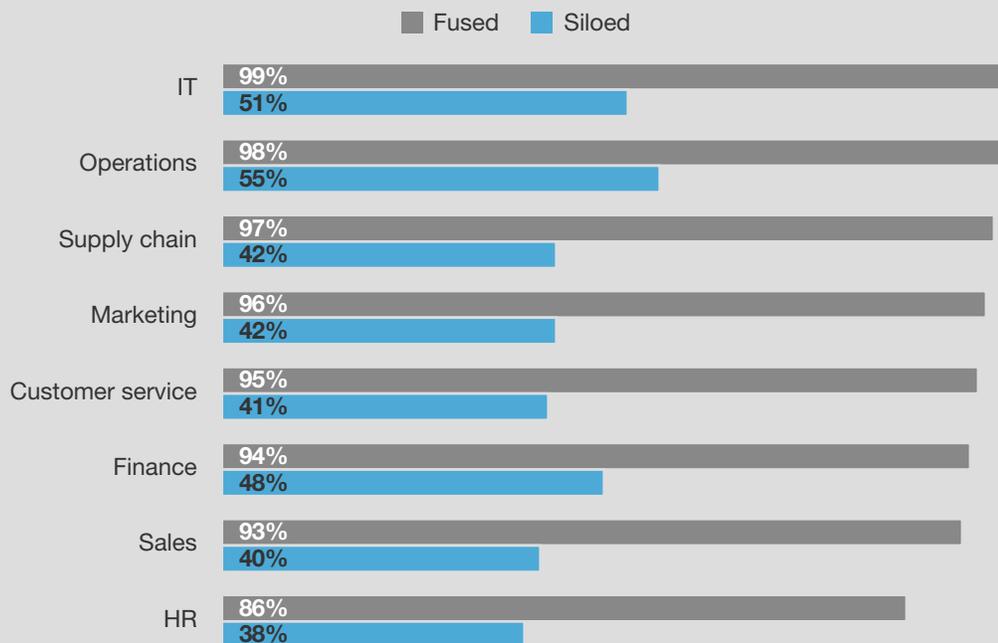
Base: 517 Decision makers across IT and LOB involved in enterprise-wide digital transformation initiatives
 Source: A commissioned study conducted by Forrester Consulting on behalf of Cognizant, June 2018

Fused companies are 2.5 times more likely to report double digit revenue growth than siloed organizations.

- › **Making operational functions a cornerstone of CX strategy.**
With a greater sense of shared responsibility for CX across the organization, enterprises must understand how all functions impact the experience, specifically operations and supply chain. Building integrated processes and value chains to deliver on customer needs requires front- and back-office processes to be equally engaged and prepared. Fused companies recognize this while siloed organizations lag behind (see Figure 5). At nearly 50% of siloed organizations, operations and supply chain teams are not highly involved in digital transformation decisions.
- › **Adding more innovation-oriented digital capabilities.**
Fused companies are adding more innovation-oriented digital capabilities to their services mix (i.e., internet of things), partnering with business partners to create new sources of customer value and upgrading digital skills — all at appreciably higher levels than for siloed organizations. In contrast, siloed companies remain focused on defining their strategy and training employees. They still need to get fundamental pieces in place before they can engage in a broader transformation effort.

Figure 5

“How involved are the following teams/stakeholders in driving digital transformation decisions at the company-wide/global level?” (% highly involved – final decision maker or influencers)



Base: 247 decision makers across IT and LOB involved in enterprise-wide digital transformation initiatives
Source: A commissioned study conducted by Forrester Consulting on behalf of Cognizant, June 2018

Act Now: Improve Your Digital Maturity Levels From Any Starting Point

No matter where you are on your digital journey today, you can get better starting now. So, where should you start?

When evaluating the four areas that impact a company’s ability to provide a more seamless connection across the enterprise — process, organization, technology, and data insights — statistical analysis revealed that no single area dominates in contributing to a company’s success. No one area can drive success in isolation. Business process excellence has a slightly higher impact than the others, but overall it means that for organizations to succeed, consideration must be given to all facets of digital transformation, not just a single lever. This assertion is supported by a leading media company whose mission statement proclaims, “While the past two years have been a time of significant innovation, the pace must accelerate. Too often, digital progress has been accomplished through workarounds; now we must tear apart the barriers.”¹

As companies look to move forward, fused organizations are facing more strategic challenges around delivering a consistent experience across all channels, while the siloed organizations are still struggling with more tactical issues like outdated technology and data quality. Regardless of starting point, there are critical investments you should make today (see Figure 6):

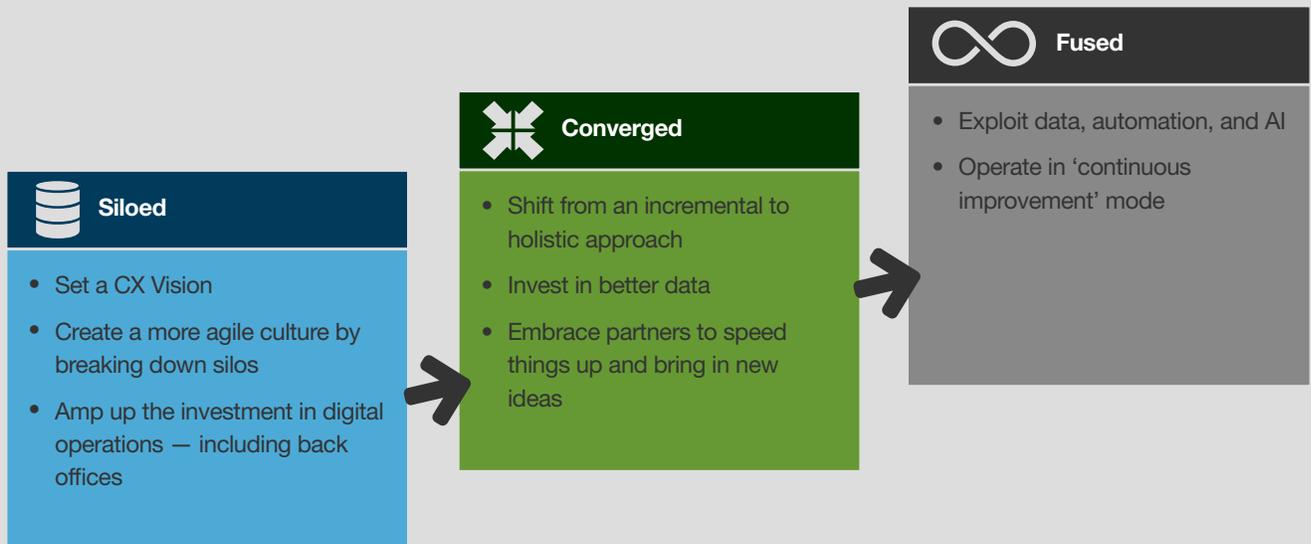
“While the past two years have been a time of significant innovation, the pace must accelerate. Too often, digital progress has been accomplished through workarounds; now we must tear apart the barriers.”

Excerpt from a leading media company’s mission statement



Figure 6

Steps toward digital fusion



Source: A commissioned study conducted by Forrester Consulting on behalf of Cognizant, June 2018

For **siloed companies**, start with these practical first steps:

- › **Set and communicate an organization-wide CX vision and strategy.** CX must permeate strategy and investments across the whole enterprise. Firms must boldly commit to a customer-centric strategy that is companywide. Organizationally, they must work to build a closer connection between customer needs and every role in the organization. This will require all roles to have more education and exposure to customer insights with clear direction and sponsorship from the top.
- › **Make cultural change a priority, with a focus on eliminating siloes.** The advice to break down organizational siloes isn't groundbreaking in 2018, but it still proves to be a stumbling block for many organizations. Siloed firms can get started by creating blended business and IT teams. Key strategies include: creation of new metrics and goals tied to incentives; shared responsibility for overall outcomes; and rotation and cross-pollination in roles to widen perspectives and deepen connections. If you do not sit at the top, start this at a lower level and promote your successes to other groups. According to one VP of mobile solutions at a large hospitality company: "We stopped using language with 'the business team this and the IT team that,' there is just one team."²
- › **Amp up the investment in digital operations — including cloud-based digital back office.** When asked how their company is planning to improve its back-office functions to better support the fulfillment of customer needs, only 28% of siloed companies said they were increasing investment in back-office technology, compared to 56% of fused organizations. In addition to giving so-called back-office functions the attention and investment they deserve, fused companies prioritize cloud modernization. Specifically, fused companies are more likely to invest in cloud technologies not just to transform front-end systems, but to also transform their back-office systems to gain evergreen technology built for the digital era.



Siloed organization

Company size: 27,000 employees

Industry: Energy and utilities

Digital transformation initiatives:

- Define our overall digital strategy
- Add digital to our products and services to deliver new sources of value to our customers, like using sensors for predictive maintenance
- Improve our analytics capabilities to make better business decision making

Challenges

- Unable to quickly prioritize and test digital ideas or fund projects as we learn
- Difficulty getting unified organizational alignment, particularly at mid-management level buy-in to our vision
- Struggle to create a technology strategy that keeps the lights on and embraces new technology

For **converged companies** who are somewhere in between siloed and fused:

- › **Take a more holistic approach to digital transformation efforts, grounded in end-to-end customer journeys.** Converged companies need a more complete view of how they engage customers, viewing those engagements as start-to-finish processes related to a specific customer journey rather than viewing each step of the engagement separately. Thirty-three percent of converged companies completely agree that their company is good at coordinating the funding, planning, and execution of cross-functional initiatives. While this is a significant step up from siloed companies, who are at 2%, converged companies are still well behind fused companies (81%), spurring the need for ongoing improvements.
- › **Invest in data quality ahead of the AI rush.** Siloed organizations face a chicken-and-egg problem around data quality. The technology siloes create multiple sources of record which then lead to disparate views of the customer, thereby resulting in conflicting decision making, which often widens the gap. Converged organizations are part of the way there, but our study revealed that data quality remains a key challenge. Though it may not have the same appeal as modern, front-end investments, traditional, quality data matters — and it will only get more critical as AI and automation become more widespread.
- › **Embrace partners to speed things up and bring in new ideas and modern practices.** Though converged companies are ahead of the siloed laggards, they face major threats to their survival. They do not have the luxury of time. The good news is that most converged companies have bought in and are on a journey to a seamless enterprise; the bad news is that they still have a way to go. Building the right partner ecosystem is critical to getting to the next level because partners can bring in external perspective and insights, new skills, expertise in digital processes, and change management approaches that work in the modern day.



Converged organization

Company size: 2,500 employees

Industry: Manufacturing

Digital transformation initiatives:

- Launch new value-added services, including commercializing data
- Expand use of IoT and automation to cut costs, and use predictive maintenance to support operations critical to delivering customer value
- Seamlessly connect operations with new, intelligent devices and infrastructure

Challenges

- Struggle with data quality/traceability linking data from development through production through usage
- Don't have the skills needed in-house to build new digital solutions
- Finding tech partners who can provide the right level of integration with existing infrastructure

For **fused companies**, next steps should include:

- › **Exploit data, automation, and AI.** Fused companies have the necessary organizational and tech integration to create fast, actionable feedback loops, both for customer feedback and performance. By doubling down on AI today, they can widen their gap with converged and siloed competitors.
- › **Operate in continuous improvement mode.** Digital transformation is a continual journey, not an end state. Fused companies cannot rest on their laurels because: 1) technology, business models, and customer expectations continue to advance rapidly and 2) the competition is also investing in digital business. The big challenge when you experience early success is to find a way to deliver “digital at scale” and not let today’s success slow you down.

Regardless of current maturity levels, the end goal for all companies should be to create a more integrated customer fulfillment pathway across front- and back-office applications — with the potential to deliver double the digital revenue growth and improved CX.

Fused organization

Company size: 6,000 employees

Industry: Financial services

Digital transformation initiatives:

- Automate 50% of back-office operations
- Digitize products and services
- Increase self-service customer service activities through AI and chat bots

Challenges

- Scaling new solutions born out of idea labs
- Appeal to next-generation customers to invest in FS offerings
- Manage content to surface the right information for the user/employee context

Get Fused: Keys To Success For All Stages Of Digital Maturity

The early days of digital transformation were about recognizing the role and importance that technology plays in helping firms deliver valuable experiences to their customers. As organizations mature on their transformation journeys, it's time to connect those front-end digital investments with the back-end functionality and processes to create a truly digital enterprise. Agile software development frameworks, for instance, help development teams move from perfect to fast and siloed to connected insofar as the teams embrace cultural change alongside tech and process change. While Agile methodologies are specific to software development, organizations can apply the principles of agile — such as collaboration over negotiation and responding to change over following a plan — to move from siloed to fused across the enterprise. This study shows fusing the enterprise helps to achieve both greater CX and enhanced revenue growth. To become a fused enterprise:

- › **Connect around the customer journey. Fusion requires a center point.** Make the customer journey the center point.
 - **Create small, cross-organization, scrum-like teams on improving customer journeys.** This will help to establish a new way of working and break down the siloes. As your firm advances, use the teams to focus on innovation and how new technologies may further improve or create new experiences for your customers.
 - **Bring customers directly into the decision-making process.** Use customer journey mapping and voice of the customer programs, alongside customer data and analytics as core inputs to your decision-making process. One fast food restaurant chain created a website for customers to provide feedback and suggestions; the restaurant uses those insights to inform new or improved experiences.³
- › **Focus operational improvements on what customers value most.** Use customer journey maps to identify the most important operational impacts on CX. For example, airlines have invested in mobile scanners for baggage handling to reduce the lost baggage rate and create transparency for the customer — addressing a key pain point for travelers.
 - **Create innovation labs specifically to address improving business ops.**⁴ Internal innovation labs or digital hubs are a critical tool for exploring emerging technologies and crowdsourcing ideas from employees. However, these initiatives are often experience-focused. Create operations-focused labs to source and test operational improvements aligned with the experience improvements identified through customer journey mapping.
 - **Use your network of partners to deliver new operational capabilities fast.**⁵ While operational excellence has direct impact on delivering great customer experience, companies do not have to reinvent the wheel or build custom software in-house to deliver. Digital leaders consume services from digital partners; such as payment providers or crowdsourcing networks, to streamline business processes and rapidly deliver innovation to customers rather than building new software.

The Fused Company Checklist

- Connect around the customer journey.
- Focus operational improvements on what customers value most.
- Create a modern technology foundation that is loosely-coupled and built for speed.
- Create and nurture a company culture that embraces change.

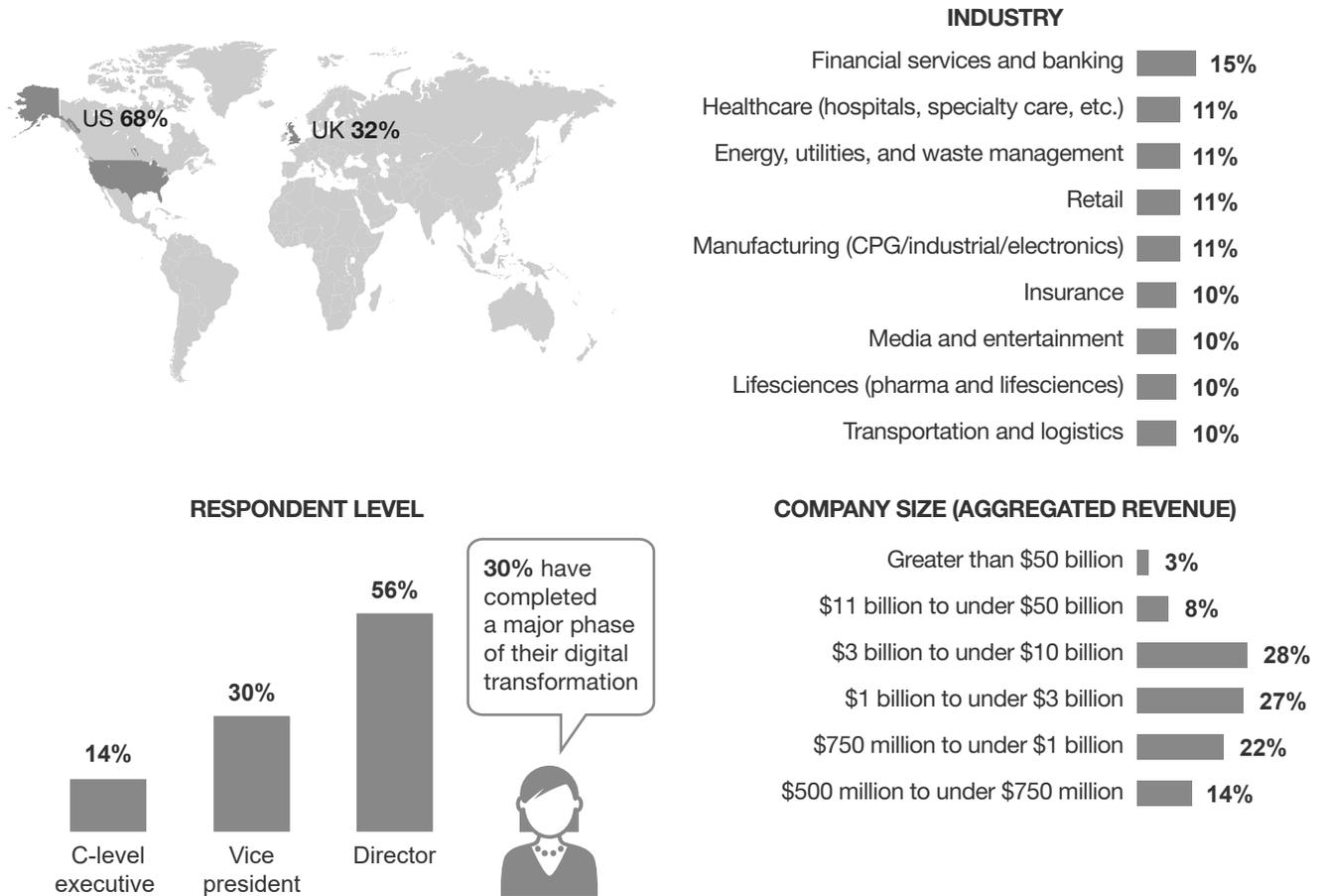
- › **Create a modern technology foundation that is loosely-coupled and built for speed.** Re-invent your technology foundation by building a loosely-coupled business platform. While we see great value on connecting front-end and back-end systems, we also see a clear trend where the lines are blurring across yesterday's technology siloes.
- **Make dramatic changes to technology strategy built on cloud-based and microservices architectures.** Leading companies recognized that you can't simply put a band-aid on old technology and expect great results. Leading executives are taking a dramatic approach to technology modernization — such as throwing out old applications in favor of cloud- and microservices-based alternatives rather than upgrades and even walling off the current tech stack to allow for a startup-esque fresh start.
- **Extend your technology directly to customers for real speed.** Today, every company is a software company whose technology must extend directly to customers and partners for real agility. Part of being a truly fused enterprise is making the technology seamless not only inside the four walls but outside as well. Leading companies think about their technology as an extensible platform that touches customers and partners directly. For example, a government agency used cloud-based CRM to connect directly with businesses and citizens in real time.
- › **Create and nurture a company culture that embraces change.** Any transformation requires heavy change, but digital transformation requires embracing change as a constant. One head of mobile and web development gets his team comfortable with change by making it the norm: rearranging the development center and changing out team members on a regular basis.
- **Invest in the human side — people and change.** People are a significant barrier and enabler to both becoming a fused organization and to reaping the financial rewards. As you look to break down siloes and improve the cohesiveness across the organization, make sure you are tackling five important human elements: culture, metrics, organizational structures, training and education, and change management.
- **Value behaviors and ethos, not just outcomes and roles.**⁶ Your company's strategic initiatives will evolve with your customers and changes in the market. As you build metrics for enterprisewide responsibility, for core priorities like customer experience, balance desired behaviors with outcomes to avoid inadvertently creating a system where employees can game the system based purely on outcomes.

Organizations can apply the principles of agile — such as collaboration over negotiation and responding to change over following a plan — to move from siloed to fused across the enterprise.

Appendix A: Methodology

In this study, Forrester surveyed 517 decision makers across IT and line of business involved in enterprisewide digital transformation initiatives. Questions provided to the participants asked about their firms' approach to digital transformation from both a front-office and back-office perspective. Companies surveyed were from the US and UK across a mix of industries. The study was completed in June 2018.

Appendix B: Demographics/Data



Base: 517 Decision makers across IT and LOB involved in enterprise-wide digital transformation initiatives
 Source: A commissioned study conducted by Forrester Consulting on behalf of Cognizant, June 2018

Appendix C: Endnotes

- ¹ Source: "Digital Rewrites The Rules Of Business," Forrester Research, Inc., February 26, 2018.
- ² Source: "Digital Transformation: Mobile Is The Catalyst," Forrester Research, Inc., June 13, 2018.
- ³ Source: "Digital Rewrites The Rules Of Business," Forrester Research, Inc., February 26, 2018.
- ⁴ Source: "Brief: Unleash The Power Of Digital Operational Excellence," Forrester Research, Inc., August 10, 2016.
- ⁵ Source: "The Digital Business Imperative," Forrester Research, Inc., February 15, 2017.
- ⁶ Source: "Accelerate Your Culture Practices For Digital Transformation," Forrester Research, Inc., February 26, 2018.